



Defmacro Software Private Limited (ClearTax)

Independent Service Auditors' Report on Management's Description of a
Service Organization's System Relevant to Security, Confidentiality,
Availability and the Suitability of the Design of Controls

As of July 15, 2020

(SSAE 18 - SOC 2 Type 1 Report)

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SECTION 1

INDEPENDENT SERVICE AUDITOR'S REPORT

Independent Service Auditor's Report

To: Management of Defmacro Software Private Limited (ClearTax)

Scope

We have examined the attached Defmacro Software Private Limited's description of the system titled "ClearTax GST Software, ClearTax E-way Bill, ClearTax E-invoicing Development and related support processes as of July 15, 2020" (description) included in Section 3, based on the criteria set forth in the Description Criteria DC Section 200 *2018 Description Criteria for a Description of a Service Organisation's System in a SOC 2 Report* (description criteria) and the suitability of the design of controls included in the description as of July 15, 2020 to provide reasonable assurance that ClearTax's service commitments and system requirements would be achieved based on the trust service criteria for security, availability and confidentiality set forth in TSP Section 100, 2017 Trust Services Principles and Criteria for Security *Availability, Processing Integrity, Confidentiality and Privacy* (applicable trust services criteria).

The information included in Section 5, "Other Information Provided by ClearTax" is presented by management of ClearTax to provide additional information and is not a part of ClearTax's description. Information about ClearTax in Section 5 has not been subjected to the procedures applied in the examination of the description and of the suitability of the design and operating effectiveness of controls to achieve the Service Organization's service commitments and system requirements based on the applicable trust services criteria, and accordingly, we express no opinion on it.

The Description indicates that ClearTax's controls can provide reasonable assurance that certain service commitments and system requirements can be achieved only if complementary user entity controls assumed in the design of ClearTax's controls are suitably designed and implemented, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

As indicated in the description, ClearTax uses Amazon Web Services (AWS) for data center services. The description in Section 3 includes only the controls of ClearTax and excludes controls of the various subservice organizations for data center services. The description also indicates that certain trust services criteria can be met only if the subservice organization's controls, contemplated in the design of ClearTax's controls, are suitably designed along with related controls at the service organization. Our examination did not extend to controls of various subservice organizations for data center services.

Service Organization's Responsibilities

ClearTax is responsible for its service commitments and system requirements and for designing, implementing, and operating effective controls within the system to provide reasonable assurance that the service commitments and system requirements were achieved.

ClearTax has provided the accompanying assertion titled, ClearTax's Management Assertion (Assertion) about the presentation of the Description based on the Description Criteria and suitability of the design of the controls described therein to provide reasonable assurance that the service commitments and system requirement would be achieved based on the applicable trust services criteria if operating effectively. ClearTax is responsible for (1) preparing the Description and Assertion; (2) the completeness, accuracy, and method of presentation of the Description and Assertion; (3) providing the services covered by the Description; (4) identifying the risks that would threaten the achievement of the service organization's service commitments and system requirements; and (5) designing, implementing, and documenting controls that are suitably designed to meet the applicable trust services criteria stated in the Description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the presentation of the description based on the description criteria set forth in ClearTax's assertion and on the suitability of the design of the controls to meet the applicable trust services criteria, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, (1) the description is presented in accordance with the description criteria and (2) the controls are suitably designed to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved if operating effectively based on the application trust services criteria as of July 15, 2020

Our examination involved performing procedures to obtain evidence about the fairness of the presentation of the description based on the description criteria and the suitability of the design of those controls to meet the applicable trust services criteria. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed to meet the applicable trust services criteria. Our examination also included evaluating the overall presentation of the description. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We did not perform any procedures regarding the operating effectiveness of the controls stated in the description, and, accordingly, do not express an opinion thereon.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the system that each individual user may consider important to his or her own particular needs. Because of their nature, controls at a service organization may not always operate effectively to meet the applicable trust services criteria. Also, conclusions about the suitability of the design of the controls to meet the applicable trust services criteria are subject to the risks that the system may change or that controls at a service organization may become ineffective.

Opinion

In our opinion, in all material respects, based on the description criteria described in ClearTax's assertion and the applicable trust services criteria:

- a. the description fairly presents the system that was designed and implemented as of July 15, 2020
- b. the controls stated in the description were suitably designed as of July 15, 2020, to provide reasonable assurance that ClearTax's service commitments and system requirements would be achieved if the controls operated effectively as of July 15, 2020, and the subservice organization and user entities applied the controls contemplated in the design of ClearTax' controls as of July 15, 2020.

Description of Controls

The specific controls are presented in the section 4 of our report titled "Trust Services Criteria and Description of Controls"

Restricted Use

This report, including the description of controls in Section 4 of this report, is intended solely for the information and use of ClearTax; user entities of ClearTax's systems as of July 15, 2020; and those prospective user entities, independent auditors and practitioners providing services to such user entities, and regulators who have sufficient knowledge and understanding of the following:

- The nature of the service provided by the service organization
- How the service organization's system interacts with user entities, subservice organizations or other parties
- Internal control and its limitations
- User entity responsibilities, Complementary user-entity controls and how they interact with related controls at the service organization to meet the applicable trust services criteria
- The applicable trust services criteria
- The risks that may threaten the achievement of the applicable trust services criteria and how controls address those risks

This report is not intended to be and should not be used by anyone other than these specified parties.

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(Colorado Membership Number - 0023943)



August 10, 2020

Mumbai, India